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DEPARTMENT FOR EEB/IFD/OIA - NHATCHER AND AF/EPS - AADLER

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SUBJECT: PRIVATIZATION OR MONOPOLIZATION IN ETHIOPIA?

¶1. SUMMARY: An examination of available information on privatized enterprises in Ethiopia shows that companies owned by, or affiliated with, Ethio-Saudi billionaire Sheik Mohammed Al Amoudi have purchased the vast majority (in terms of value) of enterprises. Nearly every enterprise of significant monetary or strategic value privatized since 1994 has passed from the ownership of the Government of Ethiopia (GoE) to one of Al Amoudi's companies. While the privatizations of these enterprises were for the most part competitive tenders, the dominance of Al Amoudi brings into question the true competitiveness of the process. END SUMMARY.

¶2. Privatization of state-owned enterprises began in 1994 when the Ethiopian Privatization Agency (EPA) began disposing of businesses either started by the GoE or seized during the Marxist Derg regime. While complete data are lacking, an examination of EPA's website along with press reports and other information provided by EPA reveals a pattern of nearly all enterprises of significant value being awarded to companies owned by, or associated with, Sheik Mohammed Al Amoudi, an Ethio-Saudi billionaire and the world's 80th wealthiest person. While the vast majority of enterprises in terms of numbers-- 233 of 254 -- have been either sold to employees in a Management/Employee Buyout (MEBO) arrangement or purchased by individual Ethiopians, these are mostly small shops and hotels. In dollar terms, nearly 60 percent of enterprises have been awarded to Al Amoudi-related companies.

¶3. According to information provided in December by EPA, 254 enterprises have been privatized to date, 21 of which went to Al Amoudi companies. EPA declined to give price information to post. However, based on information up to 1999 provided on EPA's website and press reports, price information was located for 19 of these, with a total purchase price of 2.34 billion birr, or nearly USD 254 million at the current exchange rate of 9.2 birr per dollar.

¶4. EPA informed post in December that privatizations have garnered the GoE over USD 460 million. Thus, the 19 Al Amoudi enterprises with price data available account for approximately 55 percent of total privatization revenues. Moreover, based on the price of similar enterprises, the two businesses lacking price data, a hotel and a meat packing plant can be estimated a 1.5 million birr or about USD 157,000. Even without precise data, it is clear that Al Amoudi has purchased the overwhelming bulk of value privatized thus far.

¶5. The enterprises purchased by Al Amoudi are wide ranging and held by a variety of companies affiliated with the Sheik. A list of enterprises and USD values at 9.05 birr per dollar follows:
Purchased by Ethio-Leather Industry Company (ELICO)-
Universal Leather (USD 1.76 million)
Awash Tannery (USD 13.89 million)
Ethiopian Pickling (USD 3.86 million)

Purchased by Equatorial Business Group:
Dil Paint Factory (USD 3.80 million)

Purchased by Ethio-Coffee and Tea Plantation and Marketing:

Wush Wush and Gumaro Tea (USD 24.36 million)
Gojjam Gonder Agricultural Development (11.28 million)

Purchased by MIDROC:

Ras Hotel Debre Zeit (USD 946 thousand)
Ethiopian Meat Concentrate Factory (USD 3.99 million)
Dire Dawa Meat Factory (USD 5.1 million)
Kombolcha Meat Factory (USD 1.68 million)
Melgue Wondo Meat and Vegetable Factory (USD 6.77 million)
Poultry Development Enterprise (USD 6.77 million)
Live Stock Market (USD 8.13 million)
Cheffa Farm (USD 873 thousand)
Gonder Meat Factory (price unknown)

Purchased by Moha:

Pepsi Bottling (USD 11.45 million)

Awarded to National Mining (NMC):

Legedembi Gold Mine concession (USD 140.30 million)
Abijata Soda Ash Factory- 54% share (USD 3.59 million- estimated from press reports)

Purchased by Star Technical:

Addis Ababa Gas and Plastic Crates Factory (USD 2.44 million)
Wanza Woodwork (USD 3.48 million)

Purchased by Zewd Village:

Awassa Wabe Shabelle Hotel #2 (price unknown)

Additionally, National Mining was initially awarded a concession for the Kenticha Tantalum Mine at a price of USD 23.45 million. This concession was later revoked because NMC failed to deliver a scheduled payment. Currently, MIDROC is in negotiations with EPA to purchase the National Tour Operation at an unknown price.

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16. COMMENT: While companies related to Sheik Al Amoudi have purchased a small number of the total privatized entities, the Sheik has cherry-picked the best of the companies sold to date. For example, Legedembi is the only large scale gold mine in the country, and Wush Wush is the sole plantation-style tea producer. There are no overt indications of impropriety in the bidding process, and the Sheik is likely the wealthiest entity to have a significant interest in the Ethiopian economy. However, Al Amoudi is known to have close ties to the ruling TPLF/EPRDF regime, and rumors persist of favorable treatment. Regardless of these unproven accusations, the Sheik's influence in the Ethiopian economy cannot be underestimated. Post will continue to track privatization and monitor future awards for any indications of a more inclusive process. END COMMENT.